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**FISCAL IMPACT STATEMENT**

**LS 7503**

**BILL NUMBER: SB 555**

**NOTE PREPARED:** Jan 16, 2007

**BILL AMENDED:**

**SUBJECT:** Tax Sales.

**FIRST AUTHOR:** Sen. Broden

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Delinquent Property Taxes-* The bill provides a procedure for searching the records for an alternative mailing address when service of notice of an order for the sale of property for delinquent property taxes is initially unsuccessful.

*Obsolete References-* The bill eliminates an obsolete reference to the dates when a tax sale must be held.

*Reduction of Period of Sale-* The bill reduces the period before a tax sale may be conducted when property has been offered at sale without success.

*Right to Refund-* The bill indicates that the right of a tax sale purchaser to ask for a refund of the purchase price is available only when the state or political subdivision has removed or demolished improvements on the property.

*Electronic Tax Sales-* The bill permits a tax sale to be conducted by electronic means.

*Civil Penalties for Failed Bids-* The bill provides that any civil penalty collected because a purchaser fails to pay the bid must be deposited in the county general fund and not the Common School Fund.

*Additional Costs of Tax Sale-* The bill requires a purchaser of property at a tax sale to certify certain additional costs that must be paid by a redeeming property owner within 30 days of the tax sale.

*Serving of Motions and Pleadings-* The bill requires pleadings and motions related to a defense to a judgment and order of sale to be served on the county auditor and county treasurer.

*Extension of Expedited Second Sales-* The bill permits a county before August 1, 2007, to use the expedited sale procedures repealed by HEA 1102-2006 for property that failed to sell at a tax sale conducted before 2007.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** *Right to Refund-* A purchaser of property would be allowed to petition the court for the county treasurer to refund the purchase price of the property if improvements on the property were removed or demolished by the state after the date of sale and before the issuance of a tax deed. The impact of this provision on local governments is indeterminable and would depend on the number of rulings for petitioners handed down by the courts.

**Explanation of State Revenues:** *Civil Penalties for Failed Bids-* Penalties assessed to purchasers in a failed tax sale would no longer be deposited into the Common School Fund (CSF) but would be deposited into county general funds. Removal of these penalties from deposit into the CSF would reduce state revenues. The amount of money that would be diverted from the CSF to county general funds is indeterminable since the money received from county auditors for various fines and forfeitures is submitted to the Auditor of State in a lump sum.

**Explanation of Local Expenditures:** *Delinquent Property Taxes-* County auditors would have to mail, by first class, a second notice of sale, if the first notice was returned due to an incorrect/insufficient address.

*Reduction of Period of Tax Sale-* Under the bill, if the county auditor and treasurer agree, a property that failed to sell could be put back up for sale under an expedited process. The property would be allowed to be sold from January 1 to before August 1 of the year following the initial attempt to sell the property in question. The second attempt at sale may occur at least 90 days after the first attempt.

In Marion County, the county auditor would notify the Metropolitan Development Commission (MDC) whenever an adequate bid has not been received on real property at sale. The MDC would then be given time to identify any property desired to be acquired for urban homesteading or redevelopment purposes. The MDC would have to report to the Auditor a list of desired properties.

The Marion County Auditor would then execute and deliver a deed to the MDC for any property on the MDC's list, subject to the procedures in law for redemption of real property sold in case of delinquent taxes and special assessments.

Properties from the list but not acquired by the MDC would be placed back on the delinquent taxes list. The MDC may not pay for any property acquired from the list given to the Auditor. A taxing unit having an interest in the taxes on the real property would be credited with the full amount of the delinquent taxes due.

Marion County would acquire a lien against any property not on the MDC's list and offered for two consecutive sales.

*Right to Refund-* A purchaser of property would be allowed to petition the court for the county treasurer to refund the purchase price of the property if improvements on the property were removed or demolished by a political subdivision after the date of sale and before the issuance of a tax deed. The impact of this provision on local governments is indeterminable and would depend on the number of rulings for petitioners handed down by the courts.

*Electronic Tax Sales-* For county treasurers that currently contract for auctioneer services, this provision would not have a significant impact to local expenditures. Amounts paid for electronic auction services would be subject to contract agreements between treasurers and the auctioneer service.

At least 76 of the 92 counties in Indiana contract with an auctioneer to hold the treasurer's tax sales. At least an additional 4 counties may have in-house resources to hold a tax sale without the help of an auctioneer.

**Explanation of Local Revenues:** *Civil Penalties for Failed Bids-* Civil penalties are assessed on purchasers that fail to pay on a tax sale. The civil penalty equals 25% of the bid price. Under the bill, the penalties would be deposited into county general funds instead of the state Common School Fund.

**State Agencies Affected:** Auditor of State.

**Local Agencies Affected:** Counties; Trial Courts.

**Information Sources:** Indiana Handbook of Taxes, Revenues, and Appropriations; Joe Edwards, SRI, 842-5818

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